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## BOARD OF TRADE OF THE CITY OF CHICAGO

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Secretary Board of Trade of the City of Chicago.

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Commercial organizations are a direct evolution of the primitive methods of bringing buyer and seller together, improving the arrangements by which the surplus products of a people, of a community, or of a region, are distributed to those who are in need of such surplus products. Among the earliest efforts in this direction may be mentioned the fairs of antiquity. The essential characteristics of commerce since that remote period have not changed; they can never change. The demands of commerce for constantly increasing facilities for the rapid and economic exchange of commodities are imperious and resistless. There is no alertness so sensitive and swift as that of commerce; there is no vigilance equal in intensity and constancy to commercial vigilance.

The primary function of boards of trade is to facilitate the marketing of products and merchandise, and to provide facilities for their distribution to the consumer in different sections of the country and in different parts of the world. Boards of trade are not established in the interest of the buyer exclusively, or the seller exclusively, but in the interest of buyer, seller, and producer and consumer alike. They have no private interests to promote; they gather information, statistical and otherwise, for the benefit of all concerned; they are absolutely and emphatically identified with the public welfare. The prosperity of the commercial exchange is and always must be in proportion as it fosters the general prosperity, and as it extends and multiplies commercial transactions upon the basis of maintaining a fair compensation for labor, mental and physical, in the field, shop and market. Its obvious interest is that which attaches to a great public servant summoned to service by the inexorable call of a constant public necessity.

It would be well before entering upon a specific account of the Chicago Board of Trade, or any description or explanation of its functions, to glance at the circumstances surrounding its birth, in order that we may understand somewhat, at least, of the conditions which brought it into existence. It was born in a time pregnant

with great and significant events, and in a region abounding in unexampled potentialities. In "Schoolcraft's Travels," published in 1823, Chicago is described as a village in Pike county, Illinois, situated on Lake Michigan, at the mouth of Chicago Creek. "It contains twelve or fifteen houses, and about sixty or seventy inhabitants. To the ordinary advantages of an agricultural town it must hereafter add that of a depot for the inland commerce between the northern and southern sections of the Union, and a great thoroughfare for strangers, merchants and travelers." How quick the insight, how profound the mercantile instinct, and how wide the horizon of the representatives of those sixty or seventy inhabitants, the history of Chicago up to this hour bears eloquent witness. An uncommercial and superficial view of this village, surrounded by hostile Indians and set in a quagmire, led Captain Neil, the commandant of Fort Dearborn, in 1823, to write to the Secretary of War, in the same year, as follows: "The undersigned respectfully recommends that this fort be abandoned, as the character of the surrounding soil is such as to preclude the possibility of ever supporting a population that would justify the expense of maintaining the fort."

In this little town, destined to become within a comparatively short time the metropolis of the West, were gathered a small number of merchants who, with a far-seeing and positively audacious sagacity, planned not only for a city, but for an empire in this wonderful valley of the Mississippi, whose prosperity, under the inspiration of a government created and administered by the people, would astonish the world. The social, political and educational institutions of the people who were to inhabit this imperial territory were fixed by that celebrated instrument framed for the "Government of the Territory Northwest of the River Ohio," which has passed into history as the "Ordinance of 1787." This, the most notable instance of legislation that ever was enacted by the representatives of the American people, declared that "religion, morality and knowledge, being necessary to good government and the happiness of mankind, schools and the means of education shall forever be encouraged, and that no person demeaning himself in a peaceable and orderly manner shall ever be molested on account of his mode of worship or religious sentiments in the said territory." It also declared, "that no law ought to be made, or have form in the said territory, that shall in any manner whatever interfere with or affect

private contracts or engagements *bona fide* and without fraud, previously formed." This last provision was the first embodiment in written constitutional law recognizing and maintaining the obligations of contracts. Six weeks after the passage of the ordinance, it was incorporated in the draft of the Constitution of the United States. This ordinance has well been described as a pillar of cloud by day and of fire by night in the settlement and government of the Northwestern states.

### *Early History of the Board*

The first steps toward the organization of the Chicago Board of Trade were taken on the 13th of March, 1848. At the beginning of that year Chicago had neither railroads nor canals, nor any other means of communication with the surrounding country than by wheeled vehicles, and small craft on Lake Michigan. For a number of years preceding, a few enterprising men, under the leadership of Mr. Thomas Richmond and Mr. Wm. L. Whiting—who were engaged in the grain business—were desirous to have a Merchants' Exchange established in Chicago similar to those exchanges in the older and larger cities of the East. Even at that early date the inhabitants of Chicago took great pride in their city, and had an unbounded faith in its possibilities. A call was at once issued for a meeting of the business men of the city for the formation of a board of trade.

Its beginnings were merely initiatory, having in view the development of this part of the country as forecast by the determined men who established this great commercial organization. At that time a constitution was adopted and a committee appointed to prepare by-laws, rules, regulations, etc. At a second meeting on the first Monday in April following, the report of the committee was adopted, and a general invitation was extended to merchants to meet daily at their rooms, that were rented for \$110 per annum. Thomas Dyer was elected the first president of the board, Charles Walker, first vice-president, and John P. Chapin, second vice-president. It now became in a pronounced sense the headquarters of the people, not only commercially but in all matters affecting the public good. It was the one great rallying point in this western region on occasions when vital questions were discussed, and the common welfare considered.

Interesting and varied were the vicissitudes through which the board passed, which we have not space here to recount; those that were for a brief time disheartening were overcome. The determination of the merchants in this struggling yet growing and aspiring town, to found here a great metropolis and foster an enthusiastic public spirit, never for an instant faltered, and their vision of Chicago's greatness throughout that pioneer and formative period was always undimmed. We are obliged to pass over in this article, the intensely interesting record of several years. In April, 1861, the thirteenth annual meeting of the board was held in its room on South Water street. Stephen Clary was president, Clinton Briggs, first vice-president, E. G. Wolcott, second vice-president, and Seth Catlin, secretary. The roll call contained the names of 725 members. It was created a body politic and corporate, under the name and style of the "Board of Trade of the City of Chicago," by the General Assembly of the State of Illinois on the seventh day of March, A.D. 1859.

#### *The Objects of the Association*

The objects of the association as set forth by its high-minded and sagacious founders, are:

To maintain a commercial exchange; to promote uniformity in the customs and usages of merchants; to inculcate principles of justice and equity in trade; to facilitate the speedy adjustment of business disputes; to acquire and to disseminate valuable commercial and economic information; and, generally to secure to its members the benefit of co-operation in the furtherance of their legitimate pursuits.

Where, in all mercantile annals, can be found a more compact and excellent declaration of principles and practice in the conduct of business, and in the promotion of commerce in its broadest and most lofty conception? After an experience of more than half a century it is impossible to change it without marring it. By an unswerving adherence to these declarations and directions, the board will commend itself more and more to the market places of the world; to all state legislatures; to the public; and to the Congress of the United States. This exchange derives its importance and its sustaining power chiefly from the grain crops of the United States, and from the immense number of animals, comprising hogs, sheep,

cattle, horses, mules and milch cows, raised on the farms of this resourceful country.

The importance of the Board of Trade of the City of Chicago became more and more apparent as the commodities and products of the West multiplied, as the years went on. To indicate the growth of the business connected with the Chicago Board of Trade, and also the development of the immense territory tributary to Chicago, I would state that the quantity of flour shipped from Chicago in 1848 aggregated 45,200 barrels; in 1910, 7,038,351 barrels. The quantity of wheat shipped in 1848 aggregated 2,160,000 bushels; in 1910, 18,679,100 bushels. The quantity of corn shipped in 1848 was 550,460 bushels; in 1910, 78,623,100 bushels; the quantity received, 102,592,850 bushels. Within the same period of time the shipment of oats increased from 65,280 bushels to 77,890,100 bushels. The receipts of oats during the year 1910, aggregated 101,859,000 bushels. The receipts of wheat, and of flour in its wheat equivalent, of corn, oats, rye and barley, during the year 1910, aggregated 294,858,724 bushels. The shipment of pork in 1853 aggregated about 18,000,000 pounds. Like shipments in 1910, about 600,000,000 pounds. The shipments of lard in 1853 aggregated 1,847,852 pounds; the quantity shipped in 1910 aggregated 268,702,900 pounds. As indicating the growth of the trade in cattle and hogs, Chicago received in 1865, 339,000 head of cattle, and 750,000 head of hogs. In 1910, the receipts of cattle aggregated 3,052,958 head, and the receipts of hogs, 5,926,315 head. Total receipts of live stock, comprising cattle, calves, hogs, sheep and horses, at Chicago, during the year 1910, aggregated 14,452,490 head, valued at \$357,145,681; and from 1866 to 1910, inclusive, 462,984,309 head, valued at \$8,582,329,245. Prior to the year 1853, we possess no record exhibiting the volume of trade in pork, lard, butter or wool, but the increase in the actual transactions in these products is something marvelous.

The statistical information comprised in the annual reports of the Chicago Board of Trade, not only relate directly to the trade of Chicago in grain, provisions, live stock, hay, flour, lumber, cured meats, dressed beef, butter, cheese, hides, grass seeds, etc., but also has reference to such commodities in other principal markets, both domestic and foreign. This varied official information essential to a comprehensive understanding of the scope and importance of

the business transacted and fostered under the rules of this association, is daily and hourly, and in many instances, instantaneously at the service of the members of the board to guide them to an intelligent conduct of their business, and to enable them to fully provide the producer with this great range of information, designed to aid him in intelligently marketing his products, and in instructing his commission merchant as to the conduct of consignments made to that commission merchant. Telegraphic facilities are also provided for unhindered and prompt communication with shippers, with customers, with purchasers and with consumers. Representatives of the press have constant, unhindered access to all this information in order that the public may be kept fully informed regarding values, and the general movement of merchandise dealt in by members of the board.

No commercial or financial annual statement can be a complete, and an intelligent one, without an official knowledge of the volume and farm value of the chief agricultural crops which constitute the basis of the nation's prosperity. Much minute care is bestowed upon these compilations. Their relation to our financial and commercial affairs is an intimate and a vital one. They disclose the source of our national wealth; the energy, enterprise and character of our farming population. They set forth not only the inducements which our western states present for the investment of capital, but inducements to the worthy and ambitious to make their homes where Nature lavishes her rewards upon those who with honest and industrious effort seek her favors.

The full significance of this showing no one can fully comprehend, save the careful and observant student of political economy. It is being realized as never before, that the farmer is the true wealth-producer; the fruits of his toil sustain our commercial and industrial life, and in a far-reaching and profound sense furnish the vitalizing forces of our national progress.

The volume and value of the chief grain crops of the West fix rates of interest, determine to a large extent rates of transportation and the volume of interstate commerce; they measure the extent of credits given by merchants and bankers, and place a proper value on all kinds of collaterals; in fact, directly and indirectly, the crops of the Mississippi Valley affect every financial and industrial interest from one end of the land to the other. In this constant and vital

relationship the Chicago Board of Trade occupies a pre-eminent position. The Chicago Board of Trade is the grain and provision clearing house of the world. It stands between the producer on the one hand, and the consumer throughout the civilized world, on the other. Behind the multiplicity of its transactions are not only our own chief grain crops, but those of other surplus grain producing countries. On the bulletin of this exchange is posted the price of wheat, maize, oats, provisions, etc., in every considerable market throughout the world. This information with absolutely no restriction, and free of cost to the public, is sent broadcast for the benefit of producer, consumer, buyer and seller alike, without prejudice and without partiality.

No other department of business conducted so openly, so absolutely above board, and so directly with reference to the common welfare. No department of business is so free from restraint of trade. It has no monopolistic feature whatever, and permits the unhindered and healthful play of the forces of competition. It has no credit system. Cash attends the consummation of every trade, and in the event of sales for delivery at a future time, our rules provide that ample security may be obtained to protect the buyer or seller as the case may be. The breadth and activity of our market give to registered warehouse receipts, protected by law, a convertible and instantaneous value as collateral security. This system with all its safeguards, besides providing an economical and safe marketing of the products of the farm, primarily for the benefit of the producer, safely employs an enormous amount of funds seeking investment by our great moneyed institutions. Call loans made on these warehouse receipts, fortified by the state statutes, and recognized by the rules of this board, are most desirable, and are so regarded by our national banks. No business is more legitimate; no business is more conservative; no business is more vitally allied to the varied industries and commerce of our city; no business is more imbedded in honor, or intrenched in the soundness of a contract than the business conducted under the rules of this organization. No contract, either written or oral, is more binding than the contracts to which a member of this association is a party. No informality, no absence of legal technicalities, will avail under our rules to absolve a member from an undeviating compliance with every term and every feature of his business obligation. Every



pretext for the avoidance of such obligation is brushed aside by a jury, not of a court, but of business men—his peers—and is not permitted to obscure the spirit and intent of his promises, or to release him from his proper responsibility as a man and as a merchant.

### *Buying and Selling for Future Delivery*

There seems to be a general and widespread disposition to criticise business methods throughout the realm of financial and commercial activity. I by no means deprecate such criticism. I rejoice in all that has been done in the purification of corporations, and for insistence upon individual integrity, and lofty and loyal citizenship among all classes. No man shall be exempt from the consequences of wrong-doing; and those who are charged with great responsibilities and are in positions of trust, and who in a special sense enjoy public confidence, are held and must be held to strictest accountability. The laws which are made for the public welfare and to which individual liberty must always be subordinated, must be obeyed; the very least must feel their care, while the greatest should not be exempt from their power.

The system of buying and selling for future delivery, as applied especially to grain, and as practiced upon and safeguarded by the rules of the grain exchanges located in our great primary markets, is much discussed, and there is more or less misunderstanding regarding the same. This system was devised solely in the interest of the farmer and interior grain buyer. It is not a scheme that in any sense was forced upon the country; it was framed in response to the urgent demand of the farmer, merchant and banker throughout the Mississippi Valley; it provides for the economical marketing of the chief grain crops of the West; it creates and maintains a broad, active and constant market for the sale of grain and provisions, independent of an immediate, actual, existing, consumptive demand; it was an evolution, and grew naturally, gradually and inevitably out of the pressing necessities arising from the rapid growth of a vast fertile area, whose teeming products awaited facilities for ready and constant sale, at prices just to seller and buyer, to producer and consumer alike; and without any unfair advantage to either the capitalist or merchant on the

one hand, or the farmer or country dealer on the other ; it provides for the constant conversion into cash, at fair prices, of an enormous yield, chiefly comprising grain and hog products, regardless of the volume offered. It provides the agriculturist with ready money, which in turn finds its way through the country stores to wholesale merchants in great centers of trade, and, more than any other measure, keeps the complicated machinery of business in harmonious activity. This ready money circulates without interruption through the arteries of our far-reaching commercial and industrial life, sustaining, in a large degree, our wholesale trade in all departments of business.

This system brings to the knowledge of the grain dealer and farmer all facts which are necessary for them to know, in order to arrive at the intrinsic value of their grain, as measured by the supply, and the whole supply, the demand, and the whole demand, the world over and the year through. At the time of harvest when receipts are inevitably larger than the consumptive or ordinary demand, without this system the seller would be at the mercy of the capitalistic buyer. This is too manifest to require argument. The system for buying and selling for future delivery steps in at this juncture, and says to the monopolist and capitalist, keep your hands off ; you shall not take advantage to the detriment of the producer, of exceptional conditions. By means of this system, the supply in excess of the existing consumptive demand is carried forward until wanted by the consumer, and consequently, is rescued from the domination of abnormal and temporary market influences. Under its operation, all information concerning the movement of grain, and of the markets of the world, is placed without discrimination at the service of the public. It is in the interest of the general prosperity, and of the common commercial welfare. It is an absolute economic necessity.

In the administration of this system, boards of trade stand for equity, and gather for both buyer and seller that great fund of official information from all quarters of the world, without which unstable prices and violent fluctuations would seriously and perhaps disastrously disturb widespread and salutary conditions. Under its operation the prospective demand is brought to the farmer's door as a present and an actual one ; likewise the prospective supply is brought into the market as a present factor, which, with the pros-

pective demand, fixes the proper and intrinsic values of the chief grain crops. All this information reflects the judgment upon the business outlook of the great merchants of the world, whose manifold and important interests compel them to a studious consideration of the world's food supply and of the world's food requirements.

The only option feature in the system is the right to deliver at any time during the month for which the sale was made, the obligation all the while existing to deliver the actual property sold during the month when it was agreed to make the delivery of such property.

A feature of this business, which is an important one in this discussion, as it bears upon a criticism frequently heard, is that the aggregate sales of grain per annum, for instance in the Chicago market, are largely in excess of the volume of the annual receipts. To explain: In all the great grain producing states from Minnesota on the north to Kansas, and indeed to the Gulf, are located a large number of elevators in which are stored thousands, and hundreds of thousands, of bushels of grain "hedged" in Chicago; that is, sold for delivery during a future month, at a price that affords the merchant a reasonable profit. Some of that grain is shipped to Chicago in the fulfillment of sales, but much of it is sent elsewhere as the demand and the condition of markets may bring such a disposition about. For instance, grain in Kansas may be shipped on a sale to Newport News, or Baltimore, or Philadelphia, or New Orleans; that grain being all the time sold in the Chicago market for future delivery, is bought in on that market as fast as sold and shipped elsewhere, in order to keep the accounts square and to insure against loss, and to have the sale for future delivery correspond in volume to the aggregate quantity of grain on hand and not sold.

Again, the European buyer, or importer, purchases enormous quantities of grain in American markets. He wishes to avoid all risks, and to keep himself protected against loss on those purchases between the time of such purchases and the time of their arrival at port of destination; therefore, he sells a corresponding quantity on the Chicago market for delivery during a future month, at relatively the same prices which he paid for the grain. When the European importer receives his grain if the market has declined he makes on his sale in Chicago from the same volume of grain purchased, what

he lost on his shipment at the time of the arrival of that shipment at destination. If, on the other hand, he loses by the advance in the market on his Chicago short sale, he makes up that loss in the corresponding advance realized on his shipments at port of arrival.

We might multiply these instances indefinitely. It may, however, be easily perceived how extensive, how far-reaching such transactions are; and moreover, that they are of a perfectly legitimate and conservative character, and of incalculable value to the agriculturist, merchant and banker.

To illustrate once more: A miller in Glasgow purchased 100,000 bushels of wheat in San Francisco. Glasgow is a four or five months' voyage from San Francisco. The miller does not wish to assume any risk in the transaction; he is content with the ordinary, reasonable millers' profit, consequently he sells 100,000 bushels in the Chicago market, that being the great central grain market of the world, at relatively the same price which he paid for his grain in San Francisco. When the grain arrives at Glasgow, if the market has declined, he makes a profit on his sale in Chicago equal to that decline; if, on the other hand, the market has advanced, he makes on his shipment at the time it arrives in Glasgow, the amount of the loss which he sustains on his short sale in the Chicago market.

Again, the miller in this country "hedges" his purchase in a great central market, protects himself absolutely against loss, and is assured of a reasonable milling profit on his flour. By this means he avoids speculation, uncertainty and risk. When he makes a sale of his product, he buys in its equivalent in wheat of the quantity embraced in his original short sale, and is always enabled to sell his flour at the current market price and at a reasonable profit; thus he pursues the even tenor of his way.

I need not dwell in detail upon the important and vital relation which this system sustains to the miller, merchant and banker, and to the great lines of transportation, both by water and by rail.

The Supreme Court of the United States in an opinion delivered by Mr. Justice Holmes, says: "When the Chicago Board of Trade was incorporated, we cannot doubt that it was expected to afford a market for future as well as present sales, with the necessary incidents of such a market, and while the State of Illinois allows that charter to stand, we cannot believe that the pits merely as places where future sales are made, are forbidden by the law.

"Of course, in a modern market contracts are not confined to sales for immediate delivery. People will endeavor to forecast the future and to make agreements according to their prophecy. Speculation of this kind by competent men is the self-adjustment of society to the probable. Its value is well-known as a means of avoiding or mitigating catastrophes, equalizing prices and providing for periods of want. It is true that the success of the strong induces imitation by the weak, and that incompetent persons bring themselves to ruin by undertaking to speculate in their turn. But legislatures and courts generally have recognized that the natural evolutions of a complex society are to be touched only with a very cautious hand, and that such coarse attempts at a remedy for the waste incident to every social function as a simple prohibition and laws to stop its being are harmful and vain."

Judge McPherson, of the United States Circuit Court, says: "The law of contract, the right of contract, is one of the greatest rights that we have in this country. It is a great constitutional right, and the words referred to in our constitution, where we are all given the right of liberty, do not mean, simply keeping out of jail. Another kind of liberty is just as sacred as keeping out of jail, and that is the liberty to make contracts just as we please. I have the right to make any kind of contract with you men, about anything, with such exceptions as are for the public good. No man has the right to make a law that I shall not purchase real estate or buy wheat; not only that, but I have the right to make contracts for future transactions and just as legitimately as contracts for immediate execution. You can see that we could not do business in this country if we were limited to making contracts for immediate consumption. I have a perfect right to go out into the country and buy hogs, grain or cattle, to be delivered to me next week or next month or next year, and that is a valid contract and a right that can never be taken away from me.

"It is just as legitimate to make a contract for the future delivery of grain, buying or selling, as it is to get it at once. I suppose the largest part of the grain contracted for in Iowa by grain dealers, is to be delivered some time in the future to cattle feeders; they want it the next month or the next spring, at a stipulated price.

"There are thousands of transactions in grain and live stock

where the sellers do not have the grain or stock; they expect to go into the market and buy it."

### *Speculation*

Hon. Emery A. Storrs says: "That there are speculative operations in grain and provisions, no one will undertake to deny, but so long as the nature of man remains what it is, and what it always has been, enterprises more or less speculative will characterize the commerce and trade of the world. It occurred many years ago to Lord Kenyon, who was a great man within a certain judicial range, that he could regulate by judicial decision the currents of trade. He conceived that buying grain and breadstuffs, and holding them for a rise for speculative purposes, was against public policy, and immoral, and he, therefore, as Chief Justice of the King's Bench, adjudged all such transactions void. But the King's Bench, with all its judicial terrors, might as well have undertaken to change the course of seasons as to have checked enterprises of a speculative character in breadstuffs, and such a clamor was raised about the ears of Lord Chief Justice Kenyon, that it was not long before his decisions were relegated to the limbo of overruled cases, and are quoted to-day, not as authority, but as demonstrating how far and how absurdly wrong even a great judge may possibly go."

The prejudice against buying and selling grain is of an exceedingly ancient origin; so violent and ridiculous was that prejudice, that having corn with intent to sell it again in the same market, was forbidden by law. By the statutes 5 and 6, Edward VI, it was enacted that, "Whosoever shall buy corn or grain with intent to sell it again shall be reputed an unlawful engrosser and shall, for the first fault, suffer two months' imprisonment, and forfeit the value of the corn; for the second, suffer six months' imprisonment and forfeit double the value; and for the third, be set in the pillory and suffer imprisonment during the King's pleasure and forfeit all his goods and chattels." In the year 1800 an individual by the name of Rusby, was indicted at common law, and convicted of the imaginary crime of regrating; that is, selling a quantity of corn in the same market in which he had purchased it at an advance of two shillings a quarter.

That the agencies and facilities afforded by the great grain

exchanges of the country are, in exceptional instances, misunderstood and used for illegitimate business, is not denied, any more than is doubted that they promote the general prosperity and are indispensable to the development of the country. A perversion of privilege attends all institutions and professions, and can not be wholly eradicated by laws and regulations; it must be destroyed by the cultivation of lofty mercantile principles, and by their widespread recognition. Happily, such principles are becoming more and more prevalent. While it is true that traders in all departments of business indulge in speculation to an extent not warranted by their financial strength, it is too late, in view of what has been accomplished, to condemn speculation, in its proper sense, as an element in mercantile life. It has uncovered resources; it has stimulated a laudable enterprise; it has created values; it has quickened industry; conserved individual capacities; promoted intelligence; awakened ambition; augmented the comforts of life. It is aggressive, courageous, intelligent, and belongs to the strongest and ablest of the race; it grapples undismayed with possibilities; it founded Chicago; it rebuilt a great city upon smouldering ruins, and impels it in the march of progress. Whenever this kind of speculation is denounced, it is misunderstood, and it is often decried by those who unconsciously share its benefactions.

An investment of money made upon a blind chance is wholly pernicious, and defies every principle of mercantile honor, as well as the laws of the land. Frowning upon such methods and motives, this board is opposed to illegitimate business in every form, and is especially emphatic and pronounced in its rules and proceedings, against engaging in transactions where the delivering and receiving of merchandise are not absolutely and unconditionally required.

### *Bucket-Shops*

A bucket-shop is a pretense; it pretends to transact business, when, in fact, it exercises no commercial function and is devoid of every commercial feature. It is a deliberately premeditated, organized fraud. It charges for its service when no service is performed. It merely weaves its web and watches for its victims; it is a gambling contrivance pure and simple. It is thoroughly demoralizing to industrial and mercantile life. It pollutes everything it touches and taints everybody with whom it is in any manner identified. It is insidiously pernicious and undermining, and is at war

with every legitimate industry and every principle of mercantile life. It is a scheme for betting upon quotations under the flimsy guise of commercial transactions.

A bucket-shop takes one side of the bet and its customer the other side. If the customer wins, the bucket-shop must lose. If the bucket-shop makes money, it must follow that the customers lose money. To put it in another way, it is for the interest of the bucket-shop proprietor that his customers lose money. It is for the interest of legitimate merchants that their customers make money. The profits of the bucket-shop are derived from the losses of their infatuated customers. The impoverishment of their customers means the wealth of the bucket-shop; and yet, strange to say, knowing this, their patrons eagerly enter the unequal contest.

The bucket-shop bears the same relations to legitimate commercial bodies that a counterfeit bears to a genuine United States note. The bucket-shop is an unmixed evil. Any transaction entered into by any member of this board which contains either directly or indirectly any "bucket-shop" feature, or even a suggestion of dealing in differences in the fluctuations in the market price of any commodity, or corporate stock, without a *bona fide* purchase or sale of the article for an actual delivery, is imperatively and expressly prohibited.

### *Short-Selling*

Experience corroborates and emphasizes the doctrine laid down by John Stuart Mill, viz.:

"When speculation in a commodity proves profitable, it is because in the interval between buying and re-selling the price rises from some cause independent of the speculators, their only connection with it consisting in having foreseen it." The converse of this is also true, that when speculation in a commodity proves profitable to the short seller, it is because in the interval between selling for delivery at a future time, and buying in order to make that delivery, the price declines from some cause independent of the speculators, their only connection with that decline consisting in having foreseen it, and in having exercised a sagacity, intelligence and courage with reference to it not exercised by the majority of their fellows. Speculators do not in any sense hold in abeyance the governing law of supply and demand, much less annul it. The law is irresistible



and if they are not conforming to its mandates, they must succumb and pay the penalty.

No man, no edict of a tribunal, legislative or judicial, can prevent one man from stipulating with another to deliver a bushel of wheat, a pound of sugar, a bag of gold, or any other article, at an agreed price, upon a certain date, or during a specified month; nor can any power exempt a seller from liability for the non-fulfillment of the terms of any such stipulation. The right to make such a contract is an inalienable one. A man possesses the right to agree to deliver any property at such time and price as may be agreed upon, whether at the time of making such agreement he is in possession of the property or not, and whether or not he has bought such property under the same terms which attach to his own sale of such property; that property may be wheat, a house, an engine, a railway car, a government building, or any other kind of property. The buyer and seller must not be interfered with except when the seller refuses to deliver, or the buyer refuses to pay, according to the terms of the contract. Under no other conditions than these can they be interfered with. Into the domain of individual and commercial constitutional rights, restrictive law shall not enter.

Professor Emery, of Yale, says: "It should hardly be necessary to prove that 'short-selling' is an entirely honorable and absolutely necessary practice. It is strange, however, that even in fairly intelligent publications we should so frequently see the statement that 'it is wrong to sell something which the seller does not own.' As a matter of fact, this is a most common practice in all lines of business. The manufacturer sells goods before he has produced them, the builder contracts to deliver a house at a certain date which he not only does not possess, but for which he has not even bought the raw materials or hired the labor. The clergyman contracts to deliver the sermon for a price, although the sermon has not been written. If contracts for future delivery were to be limited in all cases to delivery of things already in possession of the contracting party, business would be hampered in a thousand different ways. There is absolutely no reason why a wheat dealer or a flour dealer should not make a contract for the delivery of his commodity three months from date, knowing perfectly well that he can fulfill the contract by securing the necessary article. To call this ethically wrong is simply ridiculous."

Point me to any institution or department of business that more zealously and honorably promotes the common commercial and industrial welfare than does the Chicago Board of Trade. The part which boards of trade play in the process of universal enlightenment is profoundly impressive, and their effect upon the development of this country and in sustaining its industries was never more apparent than at this time. Boards of trade marshal the forces of individual capacity, the resources of the field, and of the mine; they call forth for the common good the latent forces of mind and of matter, and are constantly creating facilities for the saving of time, for reducing expenses in the distribution of merchandise, and minimizing risks of business transactions. They study and solve the problems which a keen and educated competition presents. They take a wide outlook in carrying out their purposes, and keep in view not one market, nor one state, nor one country, but plan and legislate for a world-wide commerce.

The record of this organization for more than sixty years is completed, and within its pages may be found facts presenting contrasts more startling than are found in tales of romance. No prophet flourishing during the period of its formation and early history would have ventured to predict the marvelous development which the statistics published in the annual reports of the Chicago Board of Trade disclose, and no imagination of to-day can compass the magnitude of the record as it shall be made up even a generation hence.